



FINANCIAL SECTION

PAGE INTENTIONALLY LEFT BLANK

Financial Section

Message from the Chief Financial Officer

I am pleased to present the RRB's Performance and Accountability Report for fiscal year 2009. This report incorporates the annual performance report under the Government Performance and Results Act of 1993, the internal control report under the Federal Managers' Financial Integrity Act, and audited consolidated financial statements under OMB guidance.

The RRB is committed to integrated and automated financial management systems that focus on the agency's mission and accountability. RRB strives to maintain an environment in which program and financial managers work in partnership to ensure the integrity of financial information and use that information to make decisions, measure performance, and monitor outcomes. In this environment, we envision integrated financial management systems with appropriate internal review and controls that provide agency managers with timely, accurate, and easily accessible information. We expect managers throughout the agency to use that information to achieve program objectives in a cost-effective manner and to ensure accountability.

The RRB continued to provide high quality financial management and financial reporting during fiscal year 2009. The RRB:

- Achieved an unqualified, or clean, audit opinion on its consolidated financial statements for fiscal year 2009. We also continued to prepare unaudited quarterly financial statements and met the accelerated schedule of releasing these statements to OMB.
- Implemented audit recommendations as follows:

At the beginning of fiscal year 2009, the agency's audit follow-up tracking system reported 164 audit recommendations as being open. During the fiscal year, audit reports containing another 75 recommendations were issued. As a result, the total number of open recommendations during the year was 239. At the same time, final action was completed on 51 audit recommendations and 8 audit recommendations were rejected, resulting in a balance at the end of the fiscal year of 180 open recommendations. Many of the open recommendations deal with information technology, including several security-related recommendations, and require ongoing, long-term corrective actions to bring them to closure. Additionally, the status of the OIG-identified material weaknesses and planned corrective action are presented in the Management's Discussion and Analysis' Management Assurance section.

In fiscal year 2010, the RRB plans to contract for a requirements analysis to evaluate potential and/or actual performance gaps in our financial system. The analysis will be used to provide the basis for estimating the cost of any changes required, if any actual or potential performance gaps call for modernization.

The RRB will continue to provide financial information that is timely, accurate and useful in the coming years. We are committed to continuing our tradition of providing high quality financial services to agency management, the Congress, OMB, and the constituents we serve.

Original signed by:

Kenneth P. Boehne
Chief Financial Officer

**RAILROAD RETIREMENT BOARD
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2009 AND 2008
(in dollars)**

	<u>FY 2009</u>	<u>FY 2008</u>
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$81,044,123	\$40,683,215
Investments (Note 4)	1,191,177,782	1,407,311,638
Accounts Receivable (Note 6)	4,349,093,749	4,047,203,316
Total Intragovernmental	5,621,315,654	5,495,198,169
NRRIT Net Assets (Note 5)	23,345,568,274	25,320,737,474
Accounts Receivable, Net (Note 6)	36,674,092	32,248,714
Inventory and Related Property, Net (Note 7)	97,803	97,452
General Property, Plant and Equipment, Net (Note 8)	1,504,964	1,432,927
Other	36,955	32,936
TOTAL ASSETS	<u>\$29,005,197,742</u>	<u>\$30,849,747,672</u>
LIABILITIES (Note 9)		
Intragovernmental:		
Accounts Payable	\$493,138,638	\$509,991,700
Debt	3,416,875,148	3,164,768,904
Other	1,252,314	1,094,480
Total Intragovernmental	3,911,266,100	3,675,855,084
Accounts Payable	642,061	619,370
Benefits Due and Payable	928,291,008	874,547,337
Other	122,027,274	111,055,144
TOTAL LIABILITIES	<u>4,962,226,443</u>	<u>4,662,076,935</u>
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET POSITION		
Unexpended Appropriations - Earmarked Funds (Note 17)	522,250	504,921
Unexpended Appropriations - Other Funds	22,376,577	5,699,982
Cumulative Results of Operations - Earmarked Funds (Note 17)	24,019,150,744	26,181,465,834
Cumulative Results of Operations - Other Funds	921,728	
TOTAL NET POSITION	<u>24,042,971,299</u>	<u>26,187,670,737</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$29,005,197,742</u>	<u>\$30,849,747,672</u>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(in dollars)**

	<u>FY 2009</u>	<u>FY 2008</u>
Program Costs		
Railroad Retirement Program		
Gross Costs (Note 11)	\$10,948,154,773	\$10,350,267,409
Less: Earned Revenue	<u>10,987,532</u>	<u>9,663,267</u>
Net Program Costs	<u>10,937,167,241</u>	<u>10,340,604,142</u>
Railroad Unemployment and Sickness Insurance Program		
Gross Costs (Note 11)	205,640,078	122,293,690
Less: Earned Revenue	<u>22,989,207</u>	<u>24,054,840</u>
Net Program Costs	<u>182,650,871</u>	<u>98,238,850</u>
Costs Not Assigned to Programs	0	0
Less: Earned Revenues Not Attributed to Programs	<u>346,558</u>	<u>290,031</u>
NET COST OF OPERATIONS	<u><u>\$11,119,471,554</u></u>	<u><u>\$10,438,552,961</u></u>

The accompanying notes are an integral part of these financial statements.

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(In dollars)

FY 2009

	<u>Earmarked Funds</u>	<u>All Other Funds</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Cumulative Results of Operations:				
Beginning Balances	\$26,181,465,834			\$26,181,465,834
Budgetary Financing Sources:				
Appropriations Used	321,053,337	210,780,989		531,834,326
Non-Exchange Revenue	5,161,946,484	1,485	(321,053,337)	4,840,894,632
Transfers in from NRRIT (Note 12)	1,553,000,000			1,553,000,000
Transfers in/out Without Reimbursement	4,003,733,000	1,480,000	(1,480,000)	4,003,733,000
Other Financing Sources (Non-Exchange):				
Imputed Financing	8,786,495			8,786,495
Change in NRRIT Assets	(1,975,169,200)			(1,975,169,200)
Loss Contingency	(5,000,000)			(5,000,000)
Other	(1,061)			(1,061)
Total Financing Sources	9,068,349,055	212,262,474	(322,533,337)	8,958,078,192
Net Cost of Operations	11,230,664,145	211,340,746	(322,533,337)	11,119,471,554
Net Change	(2,162,315,090)	921,728		(2,161,393,362)
Cumulative Results of Operations	24,019,150,744	921,728		24,020,072,472
Unexpended Appropriations:				
Beginning Balances	504,921	5,699,982		6,204,903
Budgetary Financing Sources:				
Appropriations Received	\$321,150,000	\$228,480,000		\$549,630,000
Other Adjustments	(79,334)	(1,022,416)		(1,101,750)
Appropriations Used	(321,053,337)	(210,780,989)		(531,834,326)
Total Budgetary Financing Sources	17,329	16,676,595		16,693,924
Total Unexpended Appropriations	522,250	22,376,577		22,898,827
Net Position	<u>\$24,019,672,994</u>	<u>\$23,298,305</u>		<u>\$24,042,971,299</u>

The accompanying notes are an integral part of these financial statements.

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2008
(In dollars)

FY 2008

	<u>Earmarked Funds</u>	<u>All Other Funds</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Cumulative Results of Operations:				
Beginning Balances	\$33,520,774,182			\$33,520,774,182
Budgetary Financing Sources:				
Appropriations Used	359,073,113	77,657,616		436,730,729
Non-Exchange Revenue	5,421,697,351	1,915	(359,073,113)	5,062,626,153
Transfers in from NRRIT (Note 12)	1,298,000,000			1,298,000,000
Transfers in/out Without Reimbursement	3,633,185,000			3,633,185,000
Other Financing Sources (Non-Exchange):				
Imputed Financing	8,559,257			8,559,257
Change in NRRIT Assets	<u>(7,339,856,526)</u>			<u>(7,339,856,526)</u>
Total Financing Sources	3,380,658,195	77,659,531	(359,073,113)	3,099,244,613
Net Cost of Operations	10,719,966,543	77,659,531	(359,073,113)	10,438,552,961
Net Change	<u>(7,339,308,348)</u>			<u>(7,339,308,348)</u>
Cumulative Results of Operations	26,181,465,834			26,181,465,834
Unexpended Appropriations:				
Beginning Balances	495,477	6,132,482		6,627,959
Budgetary Financing Sources:				
Appropriations Received	\$359,150,000	\$80,404,670		\$439,554,670
Other Adjustments	(67,443)	(3,179,554)		(3,246,997)
Appropriations Used	<u>(359,073,113)</u>	<u>(77,657,616)</u>		<u>(436,730,729)</u>
Total Budgetary Financing Sources	9,444	(432,500)		(423,056)
Total Unexpended Appropriations	504,921	5,699,982		6,204,903
Net Position	<u>\$26,181,970,755</u>	<u>\$5,699,982</u>		<u>\$26,187,670,737</u>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD
COMBINED STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(in dollars)**

	<u>FY 2009</u>	<u>FY 2008</u>
BUDGETARY RESOURCES		
Unobligated balance, brought forward, October 1	\$9,638,020	\$10,693,589
Beginning Balance Adjustment	\$214	\$0
Adjusted unobligated balance, brought forward, October 1	<u>\$9,638,234</u>	<u>\$10,693,589</u>
Recoveries of prior year unpaid obligations	588,678	315,745
Budget authority		
Appropriation	11,494,637,575	11,082,467,857
Borrowing authority	3,661,300,000	3,385,800,000
Spending authority from offsetting collections		
Earned		
Collected	34,312,055	34,065,154
Change in receivables from Federal sources	52,119	(776)
Expenditure transfers from trust funds	114,749,000	108,930,154
Subtotal	<u>15,305,050,749</u>	<u>14,611,262,389</u>
Nonexpenditure transfers, net, anticipated and actual	(7,565)	(13,514)
Temporarily not available pursuant to Public Law	(305,916,734)	(445,444,583)
Permanently not available	<u>(3,395,018,713)</u>	<u>(3,232,812,162)</u>
TOTAL BUDGETARY RESOURCES	<u>\$11,614,334,649</u>	<u>\$10,944,001,464</u>
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 18)		
Direct	\$11,573,730,354	\$10,925,290,386
Reimbursable	9,578,424	9,073,058
Subtotal	<u>11,583,308,778</u>	<u>10,934,363,444</u>
Unobligated balance		
Apportioned	22,405,143	1,489,724
Unobligated balance not available	<u>8,620,728</u>	<u>8,148,296</u>
TOTAL STATUS OF BUDGETARY RESOURCES	<u>\$11,614,334,649</u>	<u>\$10,944,001,464</u>
CHANGE IN OBLIGATED BALANCE		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$926,432,936	\$910,619,388
Uncollected customer payments from Federal sources, brought forward, October 1	(1,000,000)	(5,794,654)
Total unpaid obligated balance, net	<u>\$925,432,936</u>	<u>\$904,824,734</u>
Obligations incurred, net	\$11,583,308,778	\$10,934,363,444
Gross outlays	(11,537,323,798)	(10,912,440,273)
Recoveries of prior year unpaid obligations, actual	(588,678)	(315,745)
Change in uncollected customer payments from Federal sources	(1,773,591)	(999,224)
Obligated balance, net, end of period		
Unpaid obligations (Note 13)	\$971,829,238	\$926,432,936
Uncollected customer payments from Federal sources	(2,773,591)	(1,000,000)
Total, unpaid obligated balance, net, end of period	<u>\$969,055,647</u>	<u>\$925,432,936</u>
NET OUTLAYS (Note 14)		
Gross outlays	\$11,537,323,798	\$10,912,440,273
Offsetting collections	(147,339,583)	(141,995,308)
Distributed offsetting receipts	<u>(4,324,733,000)</u>	<u>(3,992,185,000)</u>
Net Outlays	<u>\$7,065,251,215</u>	<u>\$6,778,259,965</u>

The accompanying notes are an integral part of these financial statements.

Statement of Social Insurance (Note 15, Note 16)

Actuarial Surplus or (Deficiency)

75-year Projection as of January 1, 2009

(Present values in billions of dollars)

	<u>1/1/2009</u>	<u>1/1/2008</u>	<u>1/1/2007</u>	<u>1/1/2006</u>	Unaudited <u>1/1/2005</u>
Estimated future income (excluding interest) received from or on behalf of:					
Current participants not yet having attained retirement age	\$75.9	\$69.6	\$66.7	\$65.0	\$56.8
Current participants who have attained retirement age	69.0	66.2	63.4	62.5	56.9
Those expected to become participants	57.2	43.3	43.1	44.3	31.3
Subtotal - future income for the 75-year period	202.1	179.1	173.1	171.8	145.0
Estimated future expenditures:					
Current participants not yet having attained retirement age	91.2	88.4	86.0	84.1	72.9
Current participants who have attained retirement age	102.1	97.0	92.8	91.7	84.1
Those expected to become participants	29.5	26.0	25.5	25.0	15.8
Subtotal - future expenditures for the 75-year period	222.8	211.5	204.2	200.8	172.8
Estimated future excess of income over expenditures:	(20.7)	(32.3)	(31.1)	(29.0)	(27.8)
Fund balance:	21.8	33.2	32.0	30.0	28.6
Fund balance plus estimated future excess of income over expenditures:	1.1	0.9	0.9	1.0	0.8

Notes to the Financial Statements: Fiscal Years Ended September 30, 2009 and 2008

1. Summary of Significant Accounting Policies

A. Basis of Presentation

Public Law 107-289, the Accountability of Tax Dollars Act of 2002, added the Railroad Retirement Board (RRB) as an agency required to prepare audited financial statements for fiscal year 2003 and subsequent years. Office of Management and Budget (OMB) guidance requires that Performance and Accountability Reports (P&AR) for fiscal year 2009 are to be submitted to the President, the Congress, and the Director of OMB by November 16, 2009. As required by law, OMB has also prescribed the form and content of financial statements under OMB Circular A-136. The RRB's financial statements were prepared in accordance with the form and content prescribed by OMB and with generally accepted accounting principles and standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The principal statements (prepared on a consolidated basis, except for the Statement of Budgetary Resources which was prepared on a combined basis, and eliminating all significant interfund balances and transactions) are comprised of the Balance Sheet and Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Social Insurance. These statements are different from the financial reports, also prepared by the RRB pursuant to OMB directives, used to monitor and control the RRB's use of budgetary resources.

B. Reporting Entity

The railroad retirement and the railroad unemployment and sickness insurance programs are financed through the following accounts:

- Railroad Retirement (RR) Account, 60X8011, funds retirement, survivor, and disability benefits in excess of social security equivalent benefits from payroll taxes on employers and employees and other income sources. Account 60X8011 is considered an earmarked fund. Our authority to use these collections is 45 United States Code (USC) §231(F)(c)(1).
- Social Security Equivalent Benefit (SSEB) Account, 60X8010, funds the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits. Account 60X8010 is considered an earmarked fund. Our authority to use these collections is 45 USC §231N-1(c)(1).
- Dual Benefits Payments (DBP) Account, 60 0111, funds the phase-out costs of certain vested dual benefits from general appropriations. Account 60 0111 is considered a general fund. Our authority to use these collections is 45 USC §231(N)(d).
- Federal Payments to the Railroad Retirement Accounts, 60X0113, was established by OMB, not by legislation, and is used as a conduit for transferring certain income taxes on benefits and receiving credit for the interest portion of uncashed check transfers. Account 60X0113 is considered an earmarked fund. This account has no basis in law.
- Limitation on Administration Account, 60 8237, pays salaries and expenses to administer the railroad retirement program and the railroad unemployment and sickness insurance program. This account is financed by the RR Account, the SSEB Account, and the Railroad

Unemployment Insurance Trust Fund, Administrative Expenses. Account 60 8237 is considered an earmarked fund. Our authority to use these collections is 45 USC §231N-1(c) and 45 USC §231N-(H).

- Limitation on Administration Account, 60X8237, Public Law 107-217, Sec. 121(d)(3), authorizes Federal agencies to retain indefinitely as “no-year money” any unexpended portion of the fiscal year appropriated funds, up to the estimated cost of the operation and maintenance (O&M) of the delegated properties. Funds carried over may only be expended for O&M and repair of the facility. Account 60X8237 is considered an earmarked fund.
- Railroad Unemployment Insurance Trust Fund, Benefit Payments, 60X8051.001, funds railroad unemployment and sickness insurance benefits from contributions by railroad employers. Account 60X8051.001 is considered an earmarked fund. Our authority to use these collections is 45 USC §360.
- Railroad Unemployment Insurance Trust Fund, Administrative Expenses, 60X8051.002, was established to pay salaries and expenses to administer the program. Account 60X8051.002 is considered an earmarked fund. This fund is financed by contributions from railroad employers. Monies are transferred from this fund, based on cost accounting estimates and records, to the Limitation on Administration Account (60 8237) from which salaries and expenses are paid for both the railroad retirement program and the railroad unemployment and sickness insurance program. Our authority to use these collections is 45 USC §361.
- Limitation on the Office of Inspector General, 60 8018, was established to fund the administration of the Inspector General's Office. Account 60 8018 is considered an earmarked fund. Our authority to use these collections is Public Law 111-8.
- City and State Taxes (6275) was established as a holding account for amounts withheld from employees' salaries but not yet paid to the appropriate institutions.
- Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act, 60X0114: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009.
- Economic Recovery Payments – Recovery Act, 60 0115: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009.
- Administrative Expenses – Recovery Act, 60X0116: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009.
- Administrative Expenses – Recovery Act, 60 0116: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009.
- Limitation on Administration – Recovery Act, 60X8262: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009.
- Limitation on Administration – Recovery Act, 60 8262: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009.

C. Budgets and Budgetary Accounting

Budget requests are prepared and submitted by the RRB in accordance with OMB Circular A-11 and other specific guidance issued by OMB. The RRB prepares and submits to OMB Apportionment and Reapportionment Requests (SF-132) in accordance with OMB Circular A-11 for all funds appropriated by the Congress or permanently appropriated. Although OMB may apportion funds by category, time period, or object class of expense, the RRB controls and allocates all apportioned funds by three-digit object class codes of expense. For budgetary accounting, all receipts are recorded on a cash basis of accounting and obligations are recorded against the object class codes when they are incurred, regardless of when the resources acquired are to be consumed. Obligations are amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period. Quarterly, the RRB prepares and submits Reports on Budget Execution (SF-133) to OMB, reporting all obligations incurred against the amounts apportioned.

D. Basis of Accounting

As required by law, the DBP Account is on a cash basis of accounting. Payroll taxes and unemployment contributions are recorded on a modified cash basis in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7. All other transactions are recorded on an accrual basis of accounting and a budgetary basis. Under the accrual method, revenues (except payroll taxes and unemployment contributions which are on a modified cash basis) are recognized when earned and expenses are recognized when a liability is incurred. For budgetary accounting, financial transactions are recorded when obligations are incurred, regardless of when the resources acquired are to be consumed.

The accompanying consolidated financial statements of the RRB include all funds maintained by the RRB, after elimination of all significant interfund balances and transactions.

E. Concepts

The Fund Balance with Treasury (FBWT) is the aggregate amount of funds on deposit with the Treasury, excluding seized cash deposited. The FBWT is increased by (1) receiving appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations; and (2) receiving transfers and reimbursements from other agencies. It also is increased by amounts borrowed from the Bureau of the Public Debt (BPD), the Federal Financing Bank, or other entities, and amounts collected and credited to appropriation or fund accounts. The FBWT is reduced by (1) disbursements made to pay liabilities or to purchase assets, goods, and services; (2) investments in U.S. securities (securities issued by BPD or other Federal Government agencies); (3) cancellation of expired appropriations; (4) transfers and reimbursements to other entities or to the General Fund of the Treasury; and, (5) sequestration or rescission of appropriations.

F. Earmarked Funds

SFFAS No. 27, Identifying and Reporting Earmarked Funds, requires separate presentation and disclosure of earmarked funds balances in the financial statements. Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. Earmarked funds meet the following criteria:

- A statute committing the Federal Government to use specifically-identified revenues and other financing sources only for designated activities, benefits, or purposes;
- Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked funds from the Government's general revenues.

Refer to Note 17, Earmarked Funds, for additional information.

2. Related Parties

The RRB has significant transactions with the following governmental and nongovernmental entities:

- The Department of the Treasury (Treasury) collects payroll taxes from the railroads on behalf of the RRB. The taxes collected are credited by Treasury to the RRB's trust fund account via an appropriation warrant. In fiscal years 2009 and 2008, net payroll taxes transferred to the RRB by Treasury were \$4.7 billion and \$4.9 billion, respectively.

Treasury provides payment services to Federal agencies and operates collections and deposit systems. The RRB invests in government account securities through BPD. In fiscal years 2009 and 2008, investments, including accrued interest, totaled \$1.2 billion and \$1.4 billion, respectively. In addition, Treasury advances funds to the RRB for the financial interchange which are repaid annually. The amount paid by the RRB to Treasury in fiscal year 2009 due to the financial interchange advances during fiscal year 2008 included principal of \$3.4 billion and interest of \$171 million. The amount paid by the RRB to Treasury in fiscal year 2008 due to the financial interchange advances during fiscal year 2007 included principal of \$3.2 billion and interest of \$181.4 million.

- The Social Security Administration (SSA) and RRB participate in an annual financial interchange. The financial interchange is intended to place the social security trust funds in the same position in which they would have been had railroad employment been covered by the Social Security Act and Federal Insurance Contributions Act (FICA). In fiscal year 2009, the RRB trust funds realized \$4.1 billion through the financial interchange.

Under Section 7(b)(2) of the Railroad Retirement Act of 1974, the RRB is required to pay certain individuals, described in this section, monthly social security benefits on behalf of SSA. SSA reimburses the RRB for benefits paid on behalf of SSA. The amounts reimbursed in fiscal years 2009 and 2008 were \$1.3 billion and \$1.2 billion, respectively.

- The Centers for Medicare & Medicaid Services (CMS) participates in the annual financial interchange in the same manner as described for SSA. The RRB transferred \$524 million and \$526 million to CMS in fiscal years 2009 and 2008, respectively. In addition to the financial interchange transactions, CMS reimburses the RRB for certain expenses it incurs associated with administering the Medicare program. The amounts reimbursed in fiscal years 2009 and 2008 were \$10.5 million and \$9.2 million, respectively.

- The General Services Administration (GSA) provides payroll processing and human resources services to the RRB. In addition, the RRB paid rent to GSA in the amount of \$3.3 million for fiscal year 2009 and \$3.4 million in 2008.
- The Department of Labor (DOL) invests Railroad Unemployment Insurance Act (RUIA) contributions. Accounts receivable with the DOL amounted to \$36 million and \$110 million for fiscal years 2009 and 2008, respectively.
- The National Railroad Retirement Investment Trust (NRRIT) transfers funds to the RRB for payment of railroad retirement benefits. During fiscal years 2009 and 2008, the NRRIT transferred \$1,553 million and \$1,298 million, respectively, to the RR Account. The NRRIT holds and invests funds not immediately needed to pay benefits under the RRA. The net assets of the NRRIT are reported on the RRB's balance sheet as a non-governmental investment. The RRB reports this information based on information provided by the NRRIT for that purpose.

3. Fund Balances with Treasury

Fund balances with Treasury at September 30 consisted of:

	2009	2008
A. Fund Balances:		
(1) Trust Funds	\$58,103,826	\$34,467,960
(2) General Funds	22,940,297	6,204,903
(3) Other Fund Types	0	10,352
Total	<u>\$81,044,123</u>	<u>\$40,683,215</u>
B. Status of Fund Balance with Treasury (FBWT)		
(1) Unobligated Balance		
(a) Available	\$22,405,143	\$ 1,489,724
(b) Unavailable	8,620,728	8,148,296
(2) Obligated Balance not yet Disbursed	50,018,252	31,034,843
(3) Non-Budgetary FBWT	0	10,352
Total	<u>\$81,044,123</u>	<u>\$40,683,215</u>

C. Other Information: The above represents cash held in Treasury. Unobligated and obligated funds not held in cash are invested in Treasury securities.

4. Investments

The investments in Treasury securities represent the investments of two of the RRB's earmarked funds, the RR and the SSEB Accounts.

	Amounts for Balance Sheet Reporting		
	Cost	Interest Receivable	Investments Net
Intragovernmental Securities:			
Non Marketable Par Value 2009	\$1,189,162,000	\$2,015,782	\$1,191,177,782
Non Marketable Par Value 2008	\$1,404,971,000	\$2,340,638	\$1,407,311,638

The balance on September 30, 2009, consisted of investments in 3.000 percent par value specials (with market value equal to face value) maturing on October 1, 2009. The balance on September 30, 2008, consisted of investments in 3.125 percent par value specials (with market value equal to face value) maturing on October 1, 2008. Par value specials mature on the first working day of the month following the month of issue and have a yield based on the average yield of marketable Treasury notes with maturity dates at least 3 years away.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with the RR and SSEB Accounts. The cash receipts from the railroads for the RR and SSEB Accounts are deposited in the Treasury, which uses the cash for general government purposes. Treasury securities are issued to the RRB as evidence of its receipts. Treasury securities are an asset to the RRB and a liability to the Treasury. Because the RRB and the Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. government-wide financial statements.

Treasury securities provide the RRB with authority to draw upon the Treasury to make future benefit payments or other expenditures. When the RRB requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the government finances all other expenditures.

5. NRRIT Net Assets

The balance sheet amounts represent the net asset value of NRRIT assets, at fair value, as of September 30, 2009 and 2008. These figures were provided to the RRB by the NRRIT for the fiscal years ended September 30, 2009 and 2008.

Readers of these financial statements should be aware that the RRSIA authorizes the NRRIT to invest railroad retirement assets in a diversified investment portfolio in the same manner as those of private sector retirement plans.

6. Accounts Receivable

• *Intragovernmental*

Accounts receivable - Intragovernmental at September 30 consisted of:

	2009	2008
Financial Interchange – Principal	\$4,186,600,000	\$3,826,800,000
Financial Interchange – Interest	122,800,000	109,700,000
Department of Labor	35,552,013	110,455,311
CMS – Refund of Medicare Part B Premiums	3,946,313	0
Social Security Administration - OASI/DI Benefits (Old Age and Survivors Insurance/Disability Insurance)	195,423	248,005
Total	<u>\$4,349,093,749</u>	<u>\$4,047,203,316</u>

- *Accounts Receivable, Net*

Accounts receivable, net at September 30 consisted of:

	2009	2008
Accounts receivable - Benefit overpayments	\$45,632,597	\$40,161,656
Accounts receivable – Past due RUI contributions and taxes	241,565	54,511
Accounts receivable – Interest, penalty & administrative costs	315,979	241,736
Total	\$46,190,141	\$40,457,903
Less: Allowances for doubtful accounts	9,516,049	8,209,189
Net Total	<u>\$36,674,092</u>	<u>\$32,248,714</u>

The RRB's September 30, 2009, accounts receivable balance (after deducting currently not collectible (CNC) receivables but prior to the application of the allowance for doubtful accounts) of \$46,190,141 includes \$41,431,006 (90%) in railroad retirement program receivables and \$4,759,135 (10%) in railroad unemployment insurance program receivables. The total allowance for doubtful accounts is \$9,516,049. This includes \$8,199,197 (86%) for the railroad retirement program and \$1,316,852 (14%) for the unemployment insurance program receivables.

The allowance for doubtful accounts for the railroad retirement program was calculated, excluding debts classified as CNC, as follows: (1) categorizing the accounts receivable by cause and age, (2) analyzing each category using historical data, (3) determining the percentage of amounts due the RRB that would probably not be collected, and (4) applying the determined percentages against accounts receivable.

7. Inventory and Related Property

Operating materials and supplies are valued on the cost basis. The recorded values are adjusted for the results of physical inventories taken periodically. Expenditures are recorded when inventories are consumed.

8. General Property, Plant and Equipment

These assets are stated at cost less accumulated depreciation/amortization. Acquisitions are capitalized if the cost is \$5,000 or more and the service life is 2 years or greater. Depreciation/amortization is computed on the straight-line method. These assets consisted of:

Classes of Fixed Assets	Service Lives	At September 30, 2009		
		Cost	Accumulated Depreciation	Net Book Value
Structures, facilities and leasehold improvements	15 years	\$ 2,723,731	\$ 2,638,317	\$ 85,414
ADP software	5 years	19,601,720	19,562,554	39,166
Equipment	5-10 years	5,275,125	5,142,977	132,148
Internal-Use Software in Development		1,248,236	0	1,248,236
		<u>\$28,848,812</u>	<u>\$27,343,848</u>	<u>\$1,504,964</u>

Classes of Fixed Assets	Service Lives	At September 30, 2008		
		Cost	Accumulated Depreciation	Net Book Value
Structures, facilities and leasehold improvements	15 years	\$ 2,723,731	\$ 2,612,979	\$ 110,752
ADP software	5 years	19,578,768	19,521,668	57,100
Equipment	5-10 years	5,412,577	5,250,276	162,301
Internal-Use Software in Development		1,102,774	0	1,102,774
		<u>\$28,817,850</u>	<u>\$27,384,923</u>	<u>\$1,432,927</u>

9. Liabilities

Liabilities at September 30 consisted of:

	2009	2008
Intragovernmental:		
Other – Unfunded Federal Employees' Compensation Act Liability	\$ 393,968	\$ 343,470
Public:		
Other – Accrued Unfunded Leave	\$ 7,200,668	\$ 6,888,788
Total Liabilities Not Covered by Budgetary Resources	\$ 7,594,636	\$ 7,232,258
Total Liabilities Covered by Budgetary Resources	<u>4,954,631,807</u>	<u>4,654,844,677</u>
Total Liabilities	<u>\$4,962,226,443</u>	<u>\$4,662,076,935</u>

• *Debt*

Intragovernmental debt results from borrowing from Treasury to fund benefit payments from the SSEB Account.

	2009	2008
Beginning Balance, Principal	\$3,096,200,000	\$2,944,600,000
New Borrowing	3,656,700,000	3,381,000,000
Repayments	(3,393,700,000)	(3,229,400,000)
Ending Balance, Principal	3,359,200,000	3,096,200,000
Accrued Interest	57,675,148	68,568,904
Total	<u>\$3,416,875,148</u>	<u>\$3,164,768,904</u>

• *Benefits Due and Payable*

Benefits due and payable are accrued for all benefits to which recipients are entitled for the month of September, which, by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing, such as benefit payments due but not paid. The amounts include uncashed checks of \$11,628,885 and \$11,132,404, at September 30, 2009 and 2008, respectively. Under Public Law 100-86, the amount of RRB benefits represented by checks which remain uncashed for 12 months after the check issue date are credited (including interest thereon) to the accounts from which the checks were

drawn. The principal amount of uncashed checks must remain in a liability account until the RRB determines that entitlement no longer exists or another check is issued to the beneficiary. A special workload of approximately 15,000 benefit cases, estimated at \$6 million to \$10 million, has been identified and will be processed over the next few years.

- *Other Liabilities*

Other liabilities at September 30 consisted of:

	Non-Current	Current	2009 Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable	\$ 0	\$ 858,346	\$ 858,346
Unfunded FECA Liability	0	393,968	393,968
Total Intragovernmental	0	1,252,314	1,252,314
Accrued Unfunded Liabilities	0	7,200,668	7,200,668
Accrued Payroll	0	3,949,442	3,949,442
Accrued RRB Contributions – Thrift Savings Plan	0	95,867	95,867
Withholdings Payable	0	41,392	41,392
Contingent Liability (see Note 10 for details)	105,000,000		105,000,000
Capital Lease Liability	0	0	0
Other	0	5,739,905	5,739,905
Total Other Liabilities	<u>\$105,000,000</u>	<u>\$18,279,588</u>	<u>\$123,279,588</u>

	Non-Current	Current	2008 Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable	\$ 0	\$ 751,010	\$ 751,010
Unfunded FECA Liability	0	343,470	343,470
Total Intragovernmental	0	1,094,480	1,094,480
Accrued Unfunded Liabilities	0	6,888,788	6,888,788
Accrued Payroll	0	3,514,699	3,514,699
Accrued RRB Contributions – Thrift Savings Plan	0	74,070	74,070
Withholdings Payable	0	26,618	26,618
Contingent Liability (see Note 10 for details)	100,000,000		100,000,000
Capital Lease Liability	0	1,446	1,446
Other	0	549,523	549,523
Total Other Liabilities	<u>\$100,000,000</u>	<u>\$12,149,624</u>	<u>\$112,149,624</u>

10. Commitments and Contingencies

The RRB is involved in the following actions:

- Two Class 1 railroads have filed suits claiming a refund of RRTA or FICA taxes paid on moving expenses and interest on supplemental annuity taxes. The RRB's legal counsel has determined that it is probable that the RR Account is contingently liable for an estimated amount of \$5 million and reasonably possible that the RRB is contingently liable for an estimated amount of \$2 million. The amount of \$5 million was recorded in fiscal year 2009 and is reflected on the Balance Sheet under other liabilities.

- In fiscal year 2005, we recorded a contingent liability in the amount of \$100,000,000, for an estimated forthcoming adjustment to the financial interchange for military service credits due SSA.

The total fiscal year 2009 contingent liability recorded is \$105,000,000.

- Several Class 1 railroads have filed claims for refund of taxes with the Internal Revenue Service (IRS). Of the \$2.6 billion in claims, the RRB's legal counsel has determined that it is reasonably possible that the RR and SSEB Accounts are contingently liable for an estimated amount of \$1.2 billion, and the \$1.4 billion is remote. Under the anti-disclosure provision of the IRS code, we are not permitted to disclose any details related to these claims. No provision has been made in the accompanying financial statements regarding these claims other than this disclosure.

As of September 30, 2009, the RRB had contractual arrangements which may result in future financial obligations of \$27.9 million.

11. Intragovernmental Costs and Exchange Revenue

	2009	2008
Railroad Retirement (RR) Program		
Intragovernmental Costs	\$ 190,456,180	\$ 208,857,878
Public Costs	10,757,698,593	10,141,409,531
Total RR Program Costs	<u>\$10,948,154,773</u>	<u>\$10,350,267,409</u>
Intragovernmental Earned Revenue	\$ 10,545,873	\$ 9,172,230
Public Earned Revenue	441,659	491,037
Total RR Program Earned Revenue	<u>\$ 10,987,532</u>	<u>\$ 9,663,267</u>
Railroad Unemployment and Sickness Insurance (RUIA) Program		
Intragovernmental Costs	\$ 4,701,258	\$ 4,689,312
Public Costs	200,938,820	117,604,378
Total RUIA Program Costs	<u>\$ 205,640,078</u>	<u>\$ 122,293,690</u>
Intragovernmental Earned Revenue	\$ 0	\$ 0
Public Earned Revenue	22,989,207	24,054,840
Total RUIA Program Earned Revenue	<u>\$ 22,989,207</u>	<u>\$ 24,054,840</u>

These totals do not include \$346,558 and \$290,031 of earned revenues not attributable to either program for fiscal years 2009 and 2008, respectively.

Intragovernmental costs (exchange transactions made between two reporting entities within the Federal government) are being reported separately from costs with the public (exchange transactions made between the reporting entity and a non-Federal entity). Intragovernmental exchange revenues (exchange transactions made between two reporting entities within the Federal government) are reported separately from exchange revenues with the public (exchange transactions made between the reporting entity and a non-Federal entity). Intragovernmental expenses relate to the source of goods and services purchased by the reporting entity, not to the classification of related revenue.

12. Transfers To/From NRRIT

The RRB received a total of \$1,553 million and \$1,298 million from the NRRIT during fiscal years 2009 and 2008, respectively. These funds were received into the RR Account. Transfers were to fund the payment of benefits.

13. Undelivered Orders at the End of the Period

	2009	2008
Undelivered Orders	<u>\$8,447,798</u>	<u>\$6,225,572</u>

14. Explanation of Material Differences Between the Combined Statement of Budgetary Resources and the Budget of the United States Government

A reconciliation was completed of budgetary resources, obligations incurred, distributed offsetting receipts, and outlays, as presented in the Restated Statement of Budgetary Resources for the year ended September 30, 2008, to amounts included in the Budget of the United States Government. A reconciliation was not performed for the period ended September 30, 2009, since the RRB's Performance and Accountability Report is published in November 2009, and OMB's MAX system will not have actual budget data available until mid-December 2009.

The Budget of the United States Government and the RRB's Statement of Budgetary Resources differ because of the following transaction types:

Fiscal Year 2008 (in millions)				
	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
1. Combined Statement of Budgetary Resources – September 30, 2008	\$10,944	\$10,934	\$3,992	\$6,778
2. Expenditure Transfers from Trust Funds	(109)			
3. Unobligated Balance, Brought Forward October 1, 2007	(11)			
4. Recoveries of Prior Year Unpaid Obligations	0			
5. Sickness Insurance Benefit Recoveries	(24)			
6. Administrative Expense Reimbursement	(9)			
7. Cancelled Authority	2			
8. Interfund Transfers: Federal Payment Obligations – Income Taxes Collected on Benefits (0113)	(359)			
9. Intrafund Transfers: Receipts from the Old-Age and Survivors Insurance (OASI) Trust Fund	(3,632)			
10. Intrafund Transfers: Receipts from the Disability Insurance (DI) Trust Fund	(418)			
<u>Financial Interchange</u>				
11. Accrued Receipts from the OASI and DI Trust Funds			(135)	135
12. RRB Transfers to the Federal Hospital Insurance Trust Fund			551	(551)

		Fiscal Year 2008 (in millions)		
		Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts
				Net Outlays
<u>NRRIT</u>				
13.	NRRIT Obligations / Outlays	1,375	1,375	1,375
14.	Intrafund Transfers: NRRIT Transfer to RRA	(1,298)		1,298
15.	Proprietary Receipts: NRRIT – Gains and Losses	6,606		(6,606)
16.	Proprietary Receipts: NRRIT – Interest and Dividends	(569)		569
17.	Rounding			1
18.	Budget of the United States Government FY 2008 Actuals	\$12,498	\$12,309	\$(330)
				\$12,476

15. Social Insurance

- Actuarial Surplus or (Deficiency) represents combined values for the RR Account, SSEB Account, and NRRIT.
- Estimated future income (excluding interest) includes tier 1 taxes, tier 2 taxes, income taxes on benefits, and financial interchange income, where financial interchange income consists of financial interchange transfers plus financial interchange advances from general revenues less repayment of financial interchange advances from general revenues.
- Estimated future expenditures include benefit and administrative costs.
- A closed group estimate of the future excess of income over expenditures using the projected tax rates under employment assumption II may be obtained by subtracting future expenditures for current participants from future income for current participants.
- Detail may not add to totals due to rounding. Employee and beneficiary status are determined as of 1/1/2008, whereas present values are as of 1/1/2009.
- The figures in the Statement of Social Insurance, rounded to millions of dollars prior to 2008, have been rounded to tenths of billions. The practice of displaying the figures in the Statement of Social Insurance in millions of dollars implies a degree of accuracy that 75-year projections do not possess.

Fund Balance

The fund balance appears on the face of the statement because the size of the balance directly affects projected future cash flows. Lower fund balances lead to higher future tier 2 tax rates and consequently higher tax income, while higher fund balances lead to lower tier 2 tax rates and lower tax income.

The tier 2 tax rate is based on the Average Account Benefits Ratio (AABR). At the end of each fiscal year (September 30), an Account Benefits Ratio (ABR) is calculated by dividing the fair market value of the assets in the RR Account and the NRRIT (and for years before 2002, the SSEB Account) as of the close of such fiscal year by the total benefits and administrative expenses paid from the RR Account and the NRRIT during such fiscal year. The AABR, with

respect to any calendar year, is then calculated as the average of the account benefits ratios for the 10 most recent fiscal years ending before such calendar year.

The January 1, 2007, fund balance does not include less than \$0.1 billion of accrued interest and dividends and miscellaneous adjustments related primarily to operating expenses of the NRRIT. The January 1, 2006, fund balance was not reduced for certain payables of the NRRIT, which were estimated to be less than \$1 billion.

Prior to 2006, certain accrual adjustments were included in the fund balances. In 2006, they were excluded to promote clarity and to be consistent with the account benefit ratio calculation, wherein the asset values do not include these accrual adjustments. If the accrual adjustments had been made as in prior years, the 1/1/2006 fund balance would have been \$0.4 billion higher.

As stated earlier, a higher fund balance results in lower tax rates and consequently lower future tax income and a lower balance results in higher rates and income. This self-adjusting tax rate mechanism mitigates the effects of changes in the fund balance on the program's net actuarial position.

16. Significant Assumptions

The estimates used in the Statement of Social Insurance and Required Supplementary Information are based on the assumption that the program will continue as presently constructed. The calculations assume that all future transfers required by current law under the financial interchange will be made.

The estimates are also based on various economic, employment, and other actuarial assumptions. The ultimate economic assumptions are a 7.5 percent investment return, a 3 percent annual increase in the cost of living, and a 4 percent annual wage increase.

The employment assumption for the Statement of Social Insurance is employment assumption II, the intermediate employment assumption, as used in the 24th Actuarial Valuation. Under employment assumption II, starting with an average 2008 employment of 234,000, (1) railroad passenger employment is assumed to remain level at 43,000, and (2) the employment base, excluding passenger employment, is assumed to decline at a constant annual rate of 2.0 percent for 25 years, at a reducing rate over the next 25 years, and remain level thereafter.

Actuarial assumptions are those published in the Technical Supplement to the "Twenty-Fourth Actuarial Valuation of the Assets and Liabilities Under the Railroad Retirement Acts as of December 31, 2007." This may be found on the RRB's website, www.rrb.gov.

Actuarial assumptions published in the Twenty-Fourth Actuarial Valuation include:

Table S-1.	2007 RRB Annuitants Mortality Table
Table S-2.	2007 RRB Disabled Mortality Table for Annuitants with Disability Freeze
Table S-3.	2007 RRB Disabled Mortality Table for Annuitants without Disability Freeze
Table S-4.	2003 RRB Active Service Mortality Table
Table S-5.	2007 RRB Spouse Total Termination Table

Table S-6.	Probability of a retired employee having a spouse eligible for railroad retirement benefits
Table S-7.	1995 RRB Mortality Table for Widows
Table S-8.	1997 RRB Remarriage Table
Table S-9.	2004 RRB Total Termination Table for Disabled Children
Table S-10.	Calendar year rates of immediate age retirement
Table S-11.	Rates of immediate disability retirement and of eligibility for disability freeze
Table S-12.	Calendar year rates of final withdrawal
Table S-13.	Service months and salary scales
Table S-14.	Family characteristics of railroad employees assumed for the valuation of survivor benefits

Note 17 Earmarked Funds

Balance Sheet as of September 30, 2009

Assets	8010 SSEB	8011 RRA	8051.001 Benefit Payments to RRA	8051.002 RUIA	8051.002 Admin Expenses	8018 Limitation on OIG	Eliminations	Total Earmarked Funds
Fund Balance with Treasury								
Investments	\$20,195,928	\$12,530,087	\$11,660,815	\$522,250	\$11,108,990	\$1,232,924		\$57,652,735
NRRIIT Net Invested Assets	784,981,860	406,196,122						1,191,177,982
Taxes and Interest Receivable	4,309,400,000	23,345,568,274	29,907,040	9,060,868	4,008,838	789,159	(4,764,882)	23,345,568,274
Other Assets		37,362,950			1,510,079	129,641		4,365,783,973
								1,639,720
Total Assets	5,114,577,589	23,801,877,443	41,567,855	522,250	16,625,907	2,151,724	(4,764,882)	28,981,822,482
Liabilities Due and Payable								
Other Liabilities	4,437,027,590	391,268,710	13,767,679	758,529	11,704,862	45,782	(4,764,882)	4,838,860,901
	100,000,000	10,739,904				834,791		123,279,587
Total Liabilities	4,537,027,590	402,008,614	13,767,679	736,493	12,463,421	880,573	(4,764,882)	4,982,149,488
Unexpended Appropriations								
Cumulative Results of Operations	577,549,989	23,399,638,829	27,800,176	522,250	4,182,486	1,271,151		522,250
								24,019,150,744
Total Liabilities and Net Position	\$5,114,577,589	\$23,801,877,443	\$41,567,855	\$522,250	\$16,825,907	\$2,151,724	(\$4,764,882)	\$28,981,822,482

Statement of Net Cost for the Period
Ended September 30, 2009

Gross Program Costs	\$8,402,297,457	\$4,233,313,978	\$177,096,228	\$321,053,337	\$122,561,581	\$8,678,697	(\$321,051,853)	\$10,943,935,560
Less Earned Revenues		441,859	22,889,178		9,668,970	1,334,326	(\$455,424)	33,976,709
Net Program Costs	8,402,297,457	4,233,313,978	154,107,050	321,053,337	112,894,611	7,344,271	(321,051,853)	10,909,958,851
Costs Not Attributable to Program Costs								
Less Earned Revenues Not Attributable to Program Costs								
Net Cost of Operations	\$8,402,297,457	\$4,233,313,978	\$154,107,050	\$321,053,337	\$112,548,053	\$7,344,271	(\$321,051,853)	\$10,909,812,293

Statement of Changes in Net Position
for the Period Ended September 30, 2009

Net Position Beginning of Period	\$458,798,970	\$25,610,824,027	\$99,863,762	\$604,921	\$3,565,139	\$454,791		\$28,181,870,755
Appropriations Received								321,150,000
Expended Appropriations								321,053,337
Other Adjustments								(79,334)
Appropriations Used								(321,053,337)
Taxes and Non-Exchange Revenue	2,552,288,506	2,512,594,258	73,942,971					4,840,894,631
Other Financing Sources	3,970,759,980	(68,266,278)	8,100,493					4,007,518,435
Transfers In From NRRIIT		1,553,000,000						1,553,000,000
Change in NRRIIT Assets		(1,975,169,200)						(1,975,169,200)
Net Cost of Operations	(6,402,297,457)	(4,233,313,978)	(154,107,050)	(321,053,337)	(112,548,053)	(7,344,271)	321,051,853	(10,909,812,293)
Change in Net Position	120,751,029	(2,211,185,198)	(72,043,586)	17,329	657,547	816,380		(2,162,297,761)
Net Position End of Period	\$577,549,989	\$23,399,638,829	\$27,800,176	\$522,250	\$4,182,486	\$1,271,151		\$24,019,872,994

Note 17 Earmarked Funds

Balance Sheet as of September 30, 2008

	8010 SSEB	8011 RRA	8051.001 RUIA Benefit Payments	0113 Federal Payments to RR Accounts	8237 Limitation on Administration	8051.002 RUIA Admin Expenses	8018 Limitation on OIG	Eliminations	Total Earmarked Funds
Assets									
Fund Balance with Treasury	\$10,067,681	\$6,210,187	\$4,960,920	\$504,921	\$9,898,615	\$298,067	\$1,032,482		\$34,972,883
Investments	782,456,387	634,855,271							1,407,311,658
NRRIIT Net Invested Assets	25,320,737,474								25,320,737,474
Taxes and Interest Receivable	3,936,500,000	29,510,605	103,335,214		3,958,978	10,128,596	1,409	(3,893,173)	4,079,452,029
Other Assets					1,419,844		143,468		1,563,312
Total Assets	4,729,024,048	25,983,313,537	108,296,134	504,921	15,187,437	10,427,063	1,177,369	(3,893,173)	30,844,037,336
Liabilities Due and Payable	4,172,225,078	371,939,986	8,432,372		771,682	407,918	26,534	(3,893,173)	4,549,910,399
Other Liabilities	100,000,000	549,522			10,910,616		696,044		112,156,182
Total Liabilities	4,272,225,078	372,489,510	8,432,372		11,682,298	407,918	722,578	(3,893,173)	4,662,066,581
Unexpended Appropriations									
Cumulative Results of Operations	456,798,970	25,610,824,027	99,863,762	504,921	3,505,139	10,019,145	454,791		504,921
Total Liabilities and Net Position	\$4,729,024,048	\$25,983,313,537	\$108,296,134	\$504,921	\$15,187,437	\$10,427,063	\$1,177,369	(\$3,893,173)	\$30,844,037,336

**Statement of Net Cost for the Period
Ended September 30, 2008**

Gross Program Costs	\$6,124,100,296	\$4,036,150,045	\$104,112,719	\$359,073,113	\$171,394,045	\$7,582,838	(\$359,509,575)	\$10,394,903,483
Less Earned Revenues		491,037	24,054,840		9,210,607	400,000	(438,377)	33,718,107
Net Program Costs	\$6,124,100,296	\$4,037,659,008	\$80,057,879	\$359,073,113	\$112,183,438	\$7,182,838	(\$359,071,198)	\$10,361,185,376
Costs Not Attributable to Program Costs								
Less Earned Revenues Not Attributable to Program Costs								
Net Cost of Operations	\$6,124,100,296	\$4,037,659,008	\$80,057,879	\$359,073,113	\$111,893,822	\$7,182,823	(\$359,071,198)	\$10,360,895,345

**Statement of Changes in Net Position
for the Period Ended September 30, 2008**

Net Position Beginning of Period	\$450,419,400	\$32,954,170,376	\$100,685,379	\$485,477	\$6,182,923	\$9,084,314	\$231,590	\$33,521,289,859
Appropriations Received				359,150,000				359,150,000
Expended Appropriations				359,073,113				359,073,113
Other Adjustments				(67,443)				(67,443)
Appropriations Used				(359,073,113)				(359,073,113)
Taxes and Non-Exchange Revenue	2,675,562,851	2,650,226,884	72,074,657					5,002,628,153
Other Financing Sources	3,454,917,017	85,942,301	7,161,405					3,641,744,287
Transfers In From NRRIIT		1,298,000,000			109,215,838		7,405,824	1,298,000,000
Change in NRRIIT Assets		(7,339,856,526)						(7,339,856,526)
Net Cost of Operations	(8,124,100,296)	(4,037,659,008)	(80,057,879)	(359,073,113)	(111,893,822)	(7,182,823)	359,071,198	(10,360,895,345)
Change in Net Position	6,379,370	(7,343,346,348)	(821,817)	9,444	(2,677,784)	934,831	223,201	(7,339,298,904)
Net Position End of Period	\$456,798,970	\$25,610,824,027	\$99,863,762	\$504,921	\$3,505,139	\$10,019,145	\$454,791	\$28,181,870,705

18. Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

All RRB direct and reimbursable obligations are incurred against Category B apportionments. There are no RRB direct or reimbursable obligations incurred against Categories A or Exempt apportionments.

The amounts of Category B direct and reimbursable obligations are reported on the face of the Statement of Budgetary Resources for fiscal years 2009 and 2008.

This disclosure agrees with the aggregate of RRB direct and reimbursable obligations as reported on the RRB's fiscal year 2009 year-end SF-133, *Report on Budget Execution and Budgetary Resources*, and lines 8A and 8B in the Statement of Budgetary Resources.

19. Terms of Borrowing Authority Used

The Railroad Retirement Solvency Act of 1983 provided for monthly advances of the Financial Interchange (FI) from Treasury to be repaid when the FI is settled each June. Prior to 2008, these advances were reported as nonexpenditure transfers, but are now reported as borrowing authority. Section 7(c)(4) of the RRA provides the rules for repayment of the FI advances and references Section 7(c)(3) for the interest rate to be used. The interest rate on the repayment of the advances is the same as that used in the actual FI determination from the close of the prior fiscal year until the date of transfer.

20. Legal Arrangements Affecting Use of Unobligated Balances

The portion of RRB trust fund receipts collected in the current fiscal year that exceed the amount needed to pay benefits or other valid obligations remain in the RRB trust funds as unobligated balances. These receipts can become available in the current year if needed for valid obligations. RRB receipts are assets of the trust fund and available for obligation as needed in the future.

21. Subsequent Events

No material events or transactions have occurred subsequent to September 30, 2009, that we are aware of. We have evaluated subsequent events through November 16, 2009, the date the financial statements were released.

Note 22 Reconciliation of Net Cost of Operations to Budget

For the Years Ended September 30, 2009 and 2008

(in dollars)

	2009	2008
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$11,583,308,778	\$10,934,363,444
Less: Spending Authority from Offsetting Collections and Recoveries	(149,701,852)	(143,310,277)
Obligations Net of Offsetting Collections and Recoveries	11,433,606,926	10,791,053,167
Less: Offsetting Receipts	(4,324,733,000)	(3,992,185,000)
Net Obligations	7,108,873,926	6,798,868,167
Other Resources		
Imputed Financing from Costs Absorbed by Others	8,786,495	8,559,257
Other	(1,980,170,261)	(7,339,856,526)
Net Other Resources Used to Finance Activities	(1,971,383,766)	(7,331,297,269)
Total Resources Used to Finance Activities	5,137,490,160	(532,429,102)
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services & Benefits Ordered but not yet Provided	(1,628,418)	1,791,158
Budgetary Offsetting Collections & Receipts That Do Not Affect Net Cost of Operations	(578,530)	(3,883,265)
Resources That Finance the Acquisition of Assets	1,974,583,258	7,339,400,228
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	4,003,733,000	3,633,185,000
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	5,976,109,310	10,970,493,121
Total Resources Used to Finance the Net Cost of Operations	11,113,599,470	10,438,064,019
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	311,880	132,007
Other	5,443,449	197,054
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	5,755,329	329,061
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	116,755	153,520
Other	0	6,361
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	116,755	159,881
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	5,872,084	488,942
Net Cost of Operations	\$11,119,471,554	\$10,438,552,961

23. Adjustments to Beginning Balance of Budgetary Resources

The unobligated balance brought forward October 1, 2008 for FY 2009 requires a \$214 beginning balance adjustment to accommodate a new beginning balance edit in Treasury's Federal Agencies' Centralized Trial-Balance System (FACTS) II system.